GASB STATEMENT 54:
FUND BALANCE REPORTING
AND GOVERNMENTAL FUND
TYPE DEFINITIONS

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Todays Hosts are:

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This webinar is being recorded and will be available on the on the IASB, <u>www.ia-sb.org</u> and IASBO, <u>www.iowa-asbo.org</u> web sites later today.

GASB Statement No. 54

- Scope
 - Changes how fund balance is presented
 - Modifies the definition of governmental fund types
- Effective date
 - □ Fiscal year ending June 30, 2011
 - Early implementation encouraged
 - Retroactive reporting encouraged, but not required for statistical information
 - Provide explanation if amounts presented are not restated

Designated, unreserved fund balance

- □ Intended use of resources
 - Management
 - ■Governing body
- Use was optional



Focus of classification

"The extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent" (GASB Statement No. 54, paragraph 5)

Components of fund balance

- Five categories
 - Nonspendable
 - Restricted
 - Committed
 - Assigned
 - Unassigned
- Not all will always be present



Nonspendable fund balance

- Not in spendable form
 - Cannot ever be spent (e.g., supplies inventories and prepaid items)
 - Cannot currently be spent (e.g., the long-term portion of loans receivable and nonfinancial assets held for resale)
- Legally or contractually required to be maintained intact (e.g., principal of an endowment or revolving loan fund)

Clarifications concerning nonspendable fund balance

- Resources that cannot currently be spent
 - If constraints on the purpose for which the proceeds can be used, classify based on that constraint
- Only long-term loans receivable would be classified as nonspendable fund balance
 - Other long-term receivables offset by liability for deferred revenue (i.e., no related fund balance)

Categories representing spending constraints

- □ Three categories
 - Restricted fund balance
 - Committed fund balance
 - Assigned fund balance
- No requirement that constraint be narrower
 than the purpose of the fund

Restricted fund balance

- Amounts subject to externally enforceable legal restrictions
 - Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments
 - Imposed by law through constitutional provisions or enabling legislation

Committed fund balance

- Amounts whose use is constrained by limitations that the government imposes upon itself
 - Imposed at the government's highest level of decision making (normally the governing body, with the consent of the executive branch, if applicable)
 - Binding unless removed in the same manner
 - Action taken <u>no later</u> than the close of the reporting period
 - Amount can be determined after year-end

Assigned fund balance

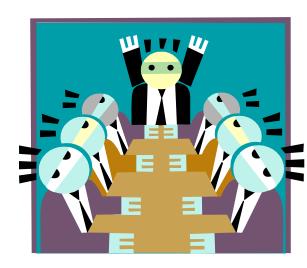
- □ Intended use of resources
 - Established by the governing body itself, or
 - Established by a body or an official delegated by the governing body
- Never in excess of total fund balance less its nonspendable, restricted and committed components.

Committed v. assigned

- Level at which action must be taken
 - Committed fund balance requires action by the highest level of decision-making authority, whereas assigned fund balance allows that authority to be delegated to some other body or official

Committed v. assigned

- □ Type of action necessary
 - Formal action is necessary to impose, remove, or modify a constraint reflected in committed fund balance, whereas less formality is necessary for assigned fund balance.



Unassigned fund balance

- Excess of total fund balance over
 nonspendable + restricted + committed + assigned components
 - Positive balance possible only in general fund
 - Deficit balance possible in any governmental fund

Components of fund balance

Nonspendable fund balance (inherently nonspendable)

Not in spendable form or requirement to maintain intact

Restricted fund balance (Externally enforceable limitations on use)

Outside parties

Constitutional provisions or enabling legislation

Committed fund balance (Self-imposed limitations)

Formal action by end of period

Highest level of decision making

Components of fund balance

Assigned fund balance (Limitation resulting from intended use)

Less formal action

Highest level of decision making or designated body or official

Unassigned fund balance (Residual net resources)

Stabilization arrangements

- Strictly speaking, limits the circumstances rather than purpose of spending
 - Still can qualify for classification as restricted or committed
 - Circumstances must be sufficiently specific
 - Circumstances must be nonroutine
 - Never assigned



Appropriated fund balance

- Nature Use a portion of existing fund balance to bridge an anticipated gap between appropriations and estimated revenues
 - Assigned fund balance
 - ■Limited to amount of gap



Flow assumptions

- When both restricted resources and other resources (i.e., committed, assigned, and unassigned) can be used for the same purpose
- When either committed, assigned, or unassigned resources can be used
 - How are outlays allocated among various categories?



Encumbrances

- Only indirectly affects the classification of fund balance
 - If liquidation expected from restricted or committed resources, constraint already reflected in those amounts
 - Otherwise assigned fund balance

Fund Balance Policy Issues

- Fund Balance policy or policies needed that are compliant with GASB 54 and allow correct classification of fund balance components regarding
 - Committing and assigning funds
 - Order of spending resources
 - Desired level of fund balances
 - Minimum fund balance
 - Stabilization funds



Committing and assigning funds

- Review current policies and procedures to:
 - Determine if resources meet the definition of committed or assigned
 - Implement or revise policies for reporting and consistency with GASB 54 criteria
- Governments are required to disclose procedures for committing and assigning fund balance
- Disclosure required of policy for committing and assigning fund balance

Order of spending resources

- GASB 34: Policy required for government-wide statements regarding order of spending restricted or unrestricted resources when both are available for expenditure
- GASB 54: Policy applies at the fund level regarding order of spending unrestricted resources when all are available for expenditure
 - □ If no policy adopted default approach used
 - Reduce committed then assigned then unassigned

Desired level of fund balances

- GFOA <u>recommends</u> general fund unrestricted fund balance of no less than two months of regular general fund operating revenues or regular general fund operating expenditures
 - Minimum fund balance policy
 - Not required
 - If policy formally adopted disclosure required



Stabilization funds

- Restricted vs committed fund balance
 - Must meet GASB 54 criteria
 - Circumstances must be sufficiently specific
 - Circumstances must be nonroutine
 - Otherwise report as unassigned
- Policy may be required to establish GASB 54 criteria required to report as restricted or committed fund balance

Review Fund Balances

- PPEL reclassified as Capital Projects Fund
 - Beginning balance restated for reclassification



GASB 54 – Impact on CAR PPEL Fund

- PPEL is Capital Projects Fund 36 starting in FY11
- Fund 23 PY Ending Balance will become Fund 36 Beginning Balance
 - No Upward or Downward Adjustments Needed
- Prior Edits for Fund 23 Will Become
 Edits for Fund 36



GASB 54 – Impact on CAR PPEL Fund

- PPEL Fund Reconciliation Edit:
 - 2010 Fund 23 Fund Balance
 - (Account_id 7)
 - Plus 2011 Fund 36 Revenues
 - (Account_id 8)
 - Minus 2011 Fund 36 Expenditures
 - (Account_id 9)
 - Must equal 2011 Fund 36 Fund Balance
 - (Account_id 7)

- Account Dimension that identifies Balance
 Sheet Accounts (Assets, Liabilities, Fund Equity)
- Account_id 7 is Fund Equity Accounts
 - List Included at End
- These are General Types of Edits Does Not Include All Individual Edits

- Accounts between 711 and 719 (Nonspendable Fund Balance) are used in Fund 10 or in Funds 21-59
 - Generally in Fund 10 and Funds 50-59
- Accounts 711 and 712 (Nonspendable Inventory and Prepaid) (PY Reserved) - Governmental Funds Only
- CY Edits for Accounts 72X (Restricted Fund Balance)
 were PY Edits for Accounts 71X (Reserved Fund Balance)

- Account 723 is used only in Fund 10 (Restricted for Medicaid Reserve)
- Accounts 724, 725, 738, 748, and 758 are AEA
 Only and used only in Fund 10 (Accounts Related to Media Materials and Special Education Support Services)
- Account 726 (Restricted for Revenue Bond Reserve) is used in the Sales Tax Fund (33)

- Accounts 727 or 728 (Restricted for Revenue Bond or General Obligation Bond Sinking Funds) are used in Fund 40
- Account 729 (Restricted for Categorical Aid Carryover, Restricted Fund Balances and Other Reserves) are used in Funds 10 or in Fund 21-59



- Accounts 73X (Committed Fund Balance) and 74X (Assigned Fund Balance) are only used in Fund 10
- Account 74X (Assigned Fund Balance) cannot exceed available fund balance
 - Account_id 7 (Total) less Account 71X
 (Nonspendable) less Account 72X (Restricted)
 less Account 73X (Committed)

- Accounts between 750 and 759 (Unassigned Fund Balance) are used in Funds 10
- Accounts between 750 and 759 (Unassigned Fund Balance) are used in Funds 21-59 only if negative.
- Accounts between 760 and 789 are used in Funds60-89



- CY Edits for Accounts 76X (Investment in Capital Assets, Net of Related Debt – Used in Proprietary Funds Only) were PY Edits for Accounts 74X
- CY Edits for Accounts 77X (Restricted Assets Used in Proprietary Funds Only) were PY Edits for Accounts 75X

- CY Edits for Accounts 78X (Unrestricted Net Assets – Used in Proprietary Funds Only) were PY edits for Accounts 76X
- CY Edits for Accounts 79X (Budgetary Account Used only for Budgetary Control) PY Edits for Accounts 77X

- State and Local Project Reconciliation:
 - 2010 Project Fund Balance
 - (Account_id 7 Fund Equity Account),
 Account 71X (PY Reserved Fund Balance))
 - Plus Revenues (Account_id 8)
 - Minus Expenditures (Account_id 9)
 - Must Equal 2011 Project Fund Balance
 - (Account_id 7 Fund Equity Account),
 Account 72X (Restricted Fund Balance)



- 710 Nonspendable Fund Balance:
 - 711 Nonspendable Inventory
 - 712 Nonspendable Prepaid Items
 - 713 Nonspendable Permanent Fund Principal
- 720 Restricted Fund Balance
 - 723 Restricted for Medicaid
 - 724 Restricted for Media Materials (AEA)

- 720 Restricted Fund Balance (cont.)
 - 725 Restricted for Special Education Support Services (AEA)
 - 726 Restricted for Revenue Bonds Reserve
 - 727 Restricted for Revenue Bonds Sinking
 - 728 Restricted for General Obligation Bonds Sinking
 - 729 Restricted for categorical aid carryover, restricted fund balances, & other reserves

730 Committed Fund Balance

- 731 Committed by the board for specific special purposes
- 732 Committed by the board for specific cash flow (Never assigned)
- 738 Committed by the board for Specific Special Education Support Services (AEA)
- 739 Other Committed Fund Balance

- 740 Assigned Fund Balance
 - 741 Assigned for specific special purposes
 - 748 Assigned for specific Special Education Support Services Purposes (AEA only)
 - 749 Other Assigned Fund Balance
- 750 Unassigned Fund Balances
 - 758 Unassigned Special Education Support Services
 - 759 Unassigned Fund Balances

- 760 Investments in Capital Assets, Net of Related Debt
- 770 Restricted net assets
- 780 Unrestricted net assets
- 790 Budgetary Account
 - 798 Budgeted Fund Balance (Used Only for Budgetary Control)

QUESTIONS

